



Department of Health and Human Services  
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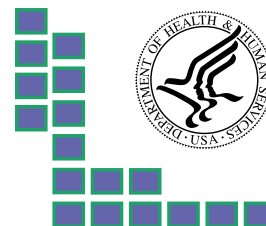
# Better Care, Lower Costs

You deserve to know...  
Health Care Transparency



***Michael O. Leavitt***

*Secretary  
Health and Human Services*



## Vision

Every American should have access to a full range of information about the quality and cost of their health care options.

Americans are value-conscious consumers. We clip coupons, check for bargain flights on the Web, and carefully research our next car purchase. It's the American way.

Yet when it comes to almost any aspect of health care, we lack the tools to compare either quality or cost. Consumers need to know – and they deserve to know – the value of their health care.

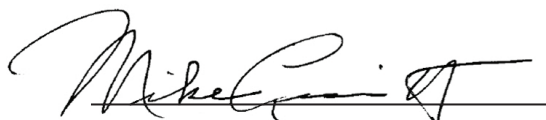
I believe that bringing transparency to quality and cost information will reform health care in America.

Providing reliable cost and quality information empowers consumer choice. Consumer choice creates incentives at all levels, and motivates the entire system to provide better care for less money. Improvements will come as providers can see how their practice compares to others.

As value in health care becomes transparent, everything improves: costs stabilize; more people are insured; they get better health care; and economic competitiveness is preserved.

Achieving transparency will require commitment and collaboration on the part of everyone in our health care system.

This change is within our grasp. I have talked with key players at all levels across the country, and I believe that the will to change is there, and the time to act is now.



Michael O. Leavitt, Secretary  
Department of Health and Human Services

## Health Care in Crisis

America faces a health care crisis.

America's per capita health spending is the highest in the world. Our spending is nearly one and one-half times that of Germany, and nearly three times more than Japan.

These costs are putting our nation's economic vitality at risk. Health care consumes over 16 percent of our gross domestic product, and that figure could surpass 20 percent within a decade. Companies like GM report spending more on health care than steel in their cars. Starbucks reported that, in one year, they spent more on health care than on materials for brewing coffee.

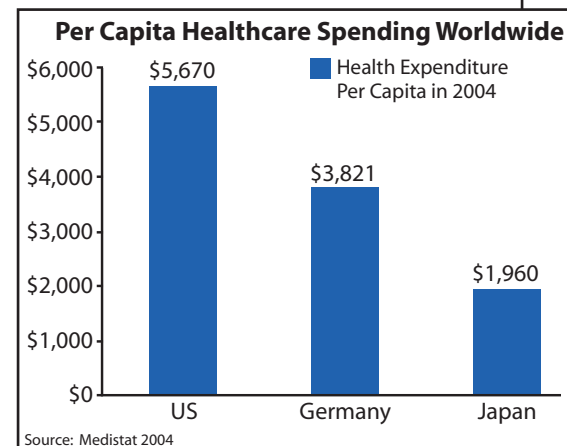
There is simply no place on the economic leader board for a nation that spends a fifth of its gross domestic product on health care.

Families are also feeling the bite. Health care costs are growing three times faster than wages. Teachers in my home state received the largest salary increase in years but many of them still saw a reduction in their take-home pay because of higher health insurance costs.

Increasing numbers of employers and people alike simply can't afford health insurance. More people than ever – 45 million at latest count – are without health care insurance.

Yet despite outspending the world, patient surveys rank the U.S. behind many developed nations in the quality of health care. We can do better. We must do better.

In a global economy, we either get control of this, or we get beaten.





## Four Cornerstones

Everyone talks about transforming America's health care system.

But in fact, the term "health care system" is a misnomer. And that's part of the problem.

Health care is provided by a disconnected collection of large and small medical businesses, health care

*"I ... applied everywhere for information, but in scarcely an instance have I been able to obtain hospital records fit for any purposes of comparison."*

Florence Nightingale  
Notes on Hospitals, 1863

professionals, treatment centers, hospitals, and all who provide support for them. Each player may have its own internal structure for gathering and sharing information, but nothing ties those isolated structures into

an interoperable national system capable of making information easily shared and compared.

Interoperable systems are invisible but essential. We have come to depend on many. When you use a cell phone to talk with a friend who uses a different cell service, you are using an interoperable system. Your ATM card is good not only at virtually all banks nationwide, but thanks to a secure interoperable system, you can use it to buy everything from groceries to gasoline.

These systems work because the telephone and banking sectors have developed methods and standards that allow participants in their systems to easily access and exchange information while the companies operate independently and compete vigorously.

Cell phone providers are keenly aware of their competitor's quality of service. Banks closely monitor competitive rates. Customers are able to compare both quality and cost. Value-based consumer choice, in turn, drives greater competition and increasingly better service.

## of Value-Based Health Care

America's health care system is embracing transparency; by doing so, it is creating a powerful force for change. Transparency is being built on four cornerstones:

- **Quality Standards:** Systems need to be designed to collect quality-of-care information, and doctors and hospitals must help define what constitutes quality care.
- **Price Standards:** Agreement is needed on how to aggregate claims information so "episode of care" costs for specific doctors and hospitals can be measured and compared.
- **Interoperable Health System:** Standards must be set so different health information systems can quickly and securely communicate and exchange data.
- **Properly Placed Incentives:** All parties – providers, patients, insurance plans, and payers – must be subject to contractual arrangements that reward both those who offer and those who purchase high-quality, competitively-priced health care.

The architecture of a reformed health care system is being drafted — each of us has a role in completing the design and building the structure.

*quality*  
+ *price*  
—  
*value*



## Quality Standards

Health care is like any other service; some providers are better than others.

Quality of care is of critical interest to patients; their health, even their lives, can be at stake. They need and deserve to know. Doctors want to know too.

***“Thirty-four percent reported getting the wrong medication or dose, incorrect test results, a mistake in their treatment or care, or being notified late about abnormal test results.”***

**Commonwealth Fund Survey  
November 2005**

quality requires accepted definitions and standards. Gathering data on quality requires electronic records and the ability to share aggregated health data.

Standards should not be dictated; they need to result from broad health care collaboration across private and public sectors. The Department of Health and Human Services (HHS) helped convene two such private-public collaborations, the AQA (formerly the Ambulatory Quality Care Alliance) and the Hospital Quality Alliance (HQA), to identify quality measures for standard ambulatory and hospital care episodes.

Already, the AQA has created a “starter kit” of quality measures for 26 common conditions or procedures. Under a planned Medicare initiative in six pilot cities — Boston, Indianapolis, Minneapolis, Madison, San Francisco, and Phoenix — community collaborations will apply and expand these measures. We will help other communities do the same.

Many physicians have said to me, “I go to work every day, and I do the very best I can to help and heal people. I have no idea how I compare with the larger universe of physicians. I would love to know how my results compare — I can learn from that.”

The fact is, we all can.

What constitutes good quality? Let’s acknowledge that the measurement of health care quality is full of complexities. As a medical discipline, it is still in the pioneering phase.

But it can be done; and some professional health groups are already doing it. Measuring

## Price Standards

Nothing but good comes from people knowing cost.

If we are to control health care costs — and we must — we first need to know what our costs are, and what we are getting for our money. But doing so is difficult. Beyond our insurance premiums and co-payments, none of us has a clue what we actually pay for health care.

The problem is that while a great deal of our spending is going to truly valuable treatments, too much is not. As a result, health care costs are higher than they need to be.

Price transparency requires gathering information from insurers and payers to provide relevant information to consumers. Wide participation is important, because a large body of information is needed to be able to draw valid price comparisons on specific treatments, hospitals, and doctors. To create an immediate critical mass, HHS is providing cost information on common inpatient and ambulatory services for our Medicare program.

At the same time, insurers and payers are working to develop standards so that consumers can get a clearer idea of their overall costs of treatment for an episode of care — physicians, hospital services, lab tests, pharmacy, rehabilitation, etc.

We are all health care consumers. Informed consumer choice can create profound change.

***“This is the only industry where people are buying services without information. If we want people to become more engaged in thinking about what medical care costs, we have to change that.”***

**Dianne Kiehl, Executive Director  
Business Health Care Group of Southeast Wisconsin**

# The Future

There is no way today for a patient to compare the value of health care choices. In the future, people will get information that will allow them to compare cost, quality, and related facts necessary to find high-quality, low-cost health care. Likewise, physicians and hospitals will have the comparative information they need to improve.

## Surgical Care Consumer Guide

Search Results: **Hip Replacement**

### Summary

Average Cost in Network Facility: \$11,249 - \$15,895

Out of Network Facility : \$18,889 - \$23,460

[What's included in the cost?](#)

Results sorted by: Quality

Sort by: Distance

GO

### Key

Quality: ★★★★★ Highest | ★ Lowest

Cost: \$ Least Expensive | \$\$\$\$ Most Expensive

Patient Assessment: ★★★★★ Highest | ★ Lowest

Distance (miles)	Facility Name	Patients per year	Quality	Cost Estimate	Insurer Pays	Patient Pays	Patient Assessment of Care
6.2	Good Samaritan Hospital 1111 E. Samaritan Drive Tampa, FL 22222	232	★★★★★	\$ \$15,895	90% (\$14,306)	10% (\$1,590)	★★★★★
13.2	All Saints Medical Center 123800 All Saints Way Tampa, FL 22122	86	★★★★★	\$\$\$ \$20,700	80% (\$16,560)	20% (\$4,140)	★★★★
25.6	Clearwater General 14280 Bay Drive Clearwater, FL 22131	400	★★★	\$ \$15,895	85% (\$13,511)	15% (\$2,384)	★★
26.3	Tampa Hip Hospital 1400 East Tampa Boulevard Tampa, FL 22211	170	★★★	\$\$\$ \$20,700	75% (\$15,525)	25% (\$5,175)	★★★
27.3	Orthopedic Clinical Hospital 1444 Goodie Drive St. Petersburg, FL 22113	432	★★	\$ \$11,600	70% (\$8,700)	25% (\$2,900)	★
33.2	Valley General Hospital 1400 Tampa Bay Way Tampa Bay, FL 22031	135	★	\$\$\$\$ \$22,000	70% (\$15,400)	30% (\$6,600)	★★

\* Sample for illustrative purposes only.



## Interoperable Health Systems

Health information technology (IT) is an important cornerstone to reforming health care in America.

How often have you sat in a doctor's office, writing your health information on yet another set of paper forms? Waited for lab results to be sent to your doctor? Hand-carried X-rays from one office to another?

***"It's very scary to think that poor handwriting can easily result in a very grave outcome for a patient."***

**Jean Stahl, Rph, South Dakota**  
(Pharmacist)

Electronic health records save everyone time and money. They reduce the chance of medical error. And when information can be shared electronically, they will

impact every step in the health care process.

Sharing information requires interoperability. Big word, simple concept: it's what lets you use your bank card in ATMs virtually around the world. It will give us the same kind of access to our personal medical history.

Achieving interoperability means setting standards, so one system can talk to another, exchanging data accurately, efficiently, and securely.

Work is underway. The American Health Information Community, which includes representatives from health care professions, technology vendors, government agencies, employers and patients, was convened to advise in the development of health IT standards. We are close to adopting standards covering registration, lab results, prescription drugs, and secure information transfer.

There is a certification process to ensure these standards are being met. Nearly two dozen software systems are certified, with more on the way.

Interoperability will allow data to be aggregated, in an anonymous way, and analyzed. Connecting providers and payers across the nation will provide the reservoir of data necessary to dependably measure cost and quality.

That adds up to value and is critical to changing America's health care system.

## A System of Incentives

Incentives motivate and competition works.

A car company offers no-interest loans to motivate buyers. Others quickly follow suit. You select one make over another because it offers more options for the same price.

Incentives drive action and change. You are given a reason to care about making a good choice, and the marketplace is changed as others provide incentives in order to stay competitive.

It is time to let value-based competition make an impact on health care.

What if, when going for an elective treatment such as a knee replacement, you are given options: health care professionals who provide high quality at high costs; those who provide low quality at low costs; and everything in between? Suddenly, you have information you need and a personal incentive to care.

Incentives are not just for consumers. In the future, incentives for doctors and hospitals will be part of the payment structure. Already, insurance plans and Medicare are experimenting with pay-for-performance incentives and competitive bidding for services where doctors and hospitals are rewarded for quality outcomes.

Once transparency unveils price and quality information, and incentives are in place to drive quality-based decisions, real change starts to happen.

People need to know price and quality. People need to care about price and quality.

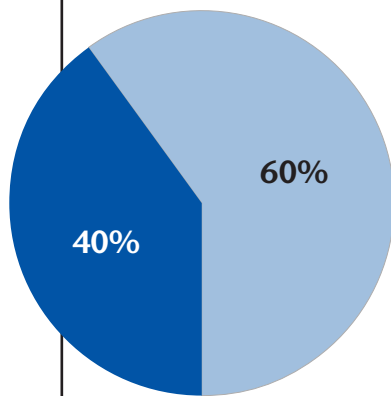
***"The American health care system is quietly imploding, and it's about time we did something about it."***

**Lucian Leape**  
Harvard School of Public Health  
November 2005

# Igniting Change

Change of this scale requires critical mass.

Federal health care programs can provide that mass. Together, the Departments of Defense, Health and Human Services, and Veterans Affairs and the Office of Personnel Management are the biggest purchaser of health care in the world. Federal programs cover some 93 million people, nearly 40 percent of the nation's insured.



■ Federal Programs  
■ All Others

We are using this critical mass to begin moving the marketplace. On August 22, 2006, President Bush issued an Executive Order, *Promoting Quality and Efficient Health Care in Federal Government Administered or Sponsored Health Care Programs*, to ensure all federal agencies and those who do health care business with the government incorporate the cornerstones of health care transparency, requiring:

- Aggregated health care quality and price information be available to beneficiaries, enrollees, and providers in a readily usable manner.
- Interoperable health IT products be used, and quality and price data be aggregated and shared.
- Federal participants are motivated to become involved consumers with the power of choice and a reason to advocate a value-based health care system.

The application of health IT and the aggregation of price and quality data on this magnitude jump start the establishment of the nation's electronic health care network.

With nascent technology standards in place, and with local pilots a test bed for quality and price standards, we have the fuel for igniting change.

I've met with the CEOs and human resource leadership of many of the Fortune 100 companies. They tell me they are ready to burst into flames over ever-increasing health care costs.

It is not just CEOs who are concerned. Andy Stern, head of the Service Employees International Union, wrote in a *Wall Street Journal* article, "McKinsey & Company projects that by 2008, the average Fortune 500 company will spend as much on health care as they make in profit. How can we possibly compete in the global economy with that kind of burden?" Stern is concerned because he sees health care benefits disappearing and worries that jobs may follow.

Companies and unions alike have a vested interest in the success of transparency-driven health care reform.

States, too, have key roles to play. Both as employers and as operators of state Medicaid programs, governors can bring a significant segment of health care business to the marketplace.

It is clear that change is coming. The pieces necessary for change are falling into place. We have a unique opportunity – all of us, everyone concerned – to fuel this change process.

The time to act is now.

***"In 2005, General Motors spent \$5.3 billion for health care. That's more than we spent on steel."***

**Rick Wagoner, CEO of General Motors**  
Testimony before the Special Committee on Aging, United States Senate, July 2006





## An Agenda for Change

Exponential change often starts with a single small step.

It's difficult to imagine life today without the World Wide Web. This powerful and ubiquitous tool, with millions of Web sites and countless pages, started with the posting of a single document just 15 years ago, August 6, 1991, to be exact.

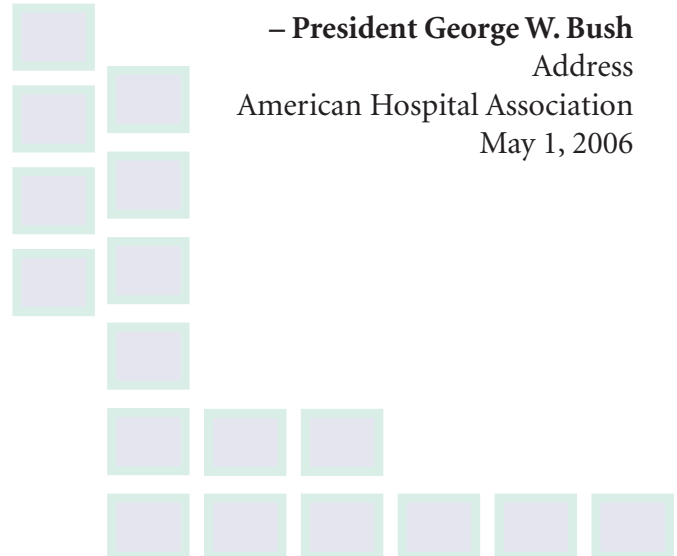
The genius of the Web is that the free flow of information – transparency – is interoperable – available to all. Working together, we need to apply that same genius to reshaping America's health care system:

- Implement the Presidential Executive Order
- Establish AQA and HQA as national arbitrators of quality care standards
- Develop standards that define episodes of care for frequent procedures and conditions
- Build a network of Quality and Price Information Collaboratives (QPICs) across many communities to:
  - Cross-pollinate ideas and best practices
  - Harmonize and make interoperable price and quality standards
- Engage quality improvement organizations in the developing and nurturing of QPICs.
- Attract support of large employers, unions, and states
- Develop a private sector business model for the American Health Information Community
- Accelerate the creation and adoption of health IT standards, with emphasis on standards for collection of data measuring AQA/HQA quality standards
- Expand adoption of health IT among small to medium care providers
- Develop standards that enable the gathering of quality and price information from private sector and government health care programs
- Create protocols to aggregate price and quality information at the regional and local levels with the involvement of the QPICs — make this information available in an easy-to-use format.
- Provide education and incentives that will stimulate adoption and drive change
- Develop pay-for-performance incentives

I am confident that, with public policy adjustments, the wise application of technology, and the productive will of many, we shall forge a viable health care system for the 21st century.

Visit the HHS transparency Web site at:  
[www.hhs.gov/transparency](http://www.hhs.gov/transparency).

***“To keep this country  
competitive,  
we’ve got to have a  
health care system  
that provides our people  
with good quality  
health care at  
affordable prices.”***



**– President George W. Bush**  
Address  
American Hospital Association  
May 1, 2006